

GCP
INFRA

GCP INFRASTRUCTURE INVESTMENTS LIMITED

Investor and Analyst Presentation – Interim Results

29 May 2020

IMPORTANT NOTICE

This presentation (the "Presentation") has been prepared by Gravis Capital Management Limited (the "Investment Adviser" or "Gravis") and is for information purposes only.

This Presentation is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation. Any recipients of this presentation outside the UK should inform themselves of and observe any applicable legal or regulatory requirements in their jurisdiction, and are treated as having represented that they are able to receive this Presentation without contravention of any law or regulation in the jurisdiction in which they reside or conduct business.

This Presentation is not intended to provide the basis for any credit or other evaluation of any securities of GCP Infrastructure Investments Limited (the "Company") (or any other current or future investment vehicle managed or advised by the Investment Adviser or any of its affiliates) and should not be considered as a recommendation, invitation or inducement that any investor should subscribe for, dispose of or purchase any such securities or enter into any other transaction with the Company or any other person. The merits and suitability of any investment action in relation to securities should be considered carefully and involve, among other things, an assessment of the legal, tax, accounting, regulatory, financial, credit and other related aspects of such securities.

Any recipient of this document will be taken to have warranted, represented and undertaken to the Investment Adviser and the Company that it has read, agrees to and will comply with the terms of this notice; and will conduct its own analyses or other verification of the data set out in this document and will bear the responsibility for all or any costs incurred in doing so.

The Investment Adviser acts only for the Company and will not be responsible to any third party for providing the protections afforded to clients of the Investment Adviser and will not be advising a third party on investing in the Company.

No undertaking, representation, warranty or other assurance, express or implied, is made or given by or on behalf of the Company or the Investment Adviser or any of their respective directors, officers, partners, employees, agents or advisers or any other person as to the accuracy or completeness of the information or opinions contained in this Presentation and no responsibility or liability is accepted by any of them for any such information or opinions or for any errors, omissions, misstatements, negligence or otherwise for any other communication written or otherwise. In addition, neither the Company nor the Investment Adviser undertake any obligation to update or to correct any inaccuracies which may become apparent in these slides. The information in this Presentation is subject to updating, completion, revision, further verification and amendment without notice.

In considering the performance information contained herein, recipients should bear in mind that past performance is not necessarily indicative of future results, and there can be no assurance that return projections will be met. Certain of the past performance information presented herein may not be representative of all transactions of a given type. Any forward-looking statements have not been independently audited, examined or otherwise reviewed or verified and nothing in this Presentation should be construed as a profit forecast.

Certain information contained herein (including forward-looking statements and economic and market information) has been obtained from published sources and/or prepared by third parties and in certain cases has not been updated to the date hereof. While such sources are believed to be reliable for the purpose used herein, none of the Investment Adviser or any of its directors, officers, employees, partners, members, shareholders or affiliates, or any other person assumes any responsibility for the accuracy or completeness of such information.

This is a financial promotion and is not intended to be investment advice. The content of this Presentation has been prepared by, is the sole responsibility of and has been approved as a financial promotion, solely for the purpose of section 21(2)(b) of the Financial Services and Markets Act 2000 (as amended), by Gravis, authorised and regulated by the Financial Conduct Authority. Gravis is registered in England and Wales No: 10471852 and its principal place of business is at 24 Savile Row, London W1S 2ES.

GCP INFRA

AGENDA

Strategic Update

Portfolio Update

Finance Update

Q&A

GCP INFRA

AGENDA

Strategic Update

Portfolio Update

Finance Update

Q&A

STRATEGIC UPDATE

Company objectives

DIVIDEND INCOME

To provide shareholders with regular, sustained, long-term dividends.

7.6p

Dividends per share paid for the twelve months to 31 March 2020

6.7%

Dividend yield to 31 March 2020 share price

New dividend target set for FY 2020/21

DIVERSIFICATION

To create a diversified portfolio of debt and similar assets secured against UK infrastructure projects.

49

Holdings

11.1%

Size of largest investment*

Net repayment in period of c. £35m

CAPITAL PRESERVATION

To preserve the capital value of its investment assets over the long term.

109.83p

NAV per share at 31 March 2020

113.00p

Share price at 31 March 2020

Valuation reductions driven by electricity price forecast movements

STRATEGIC UPDATE

10 years from IPO, the Company has consistently delivered on the stated objectives

7.6p

Annual dividend per share paid for last 7 years

105.8%

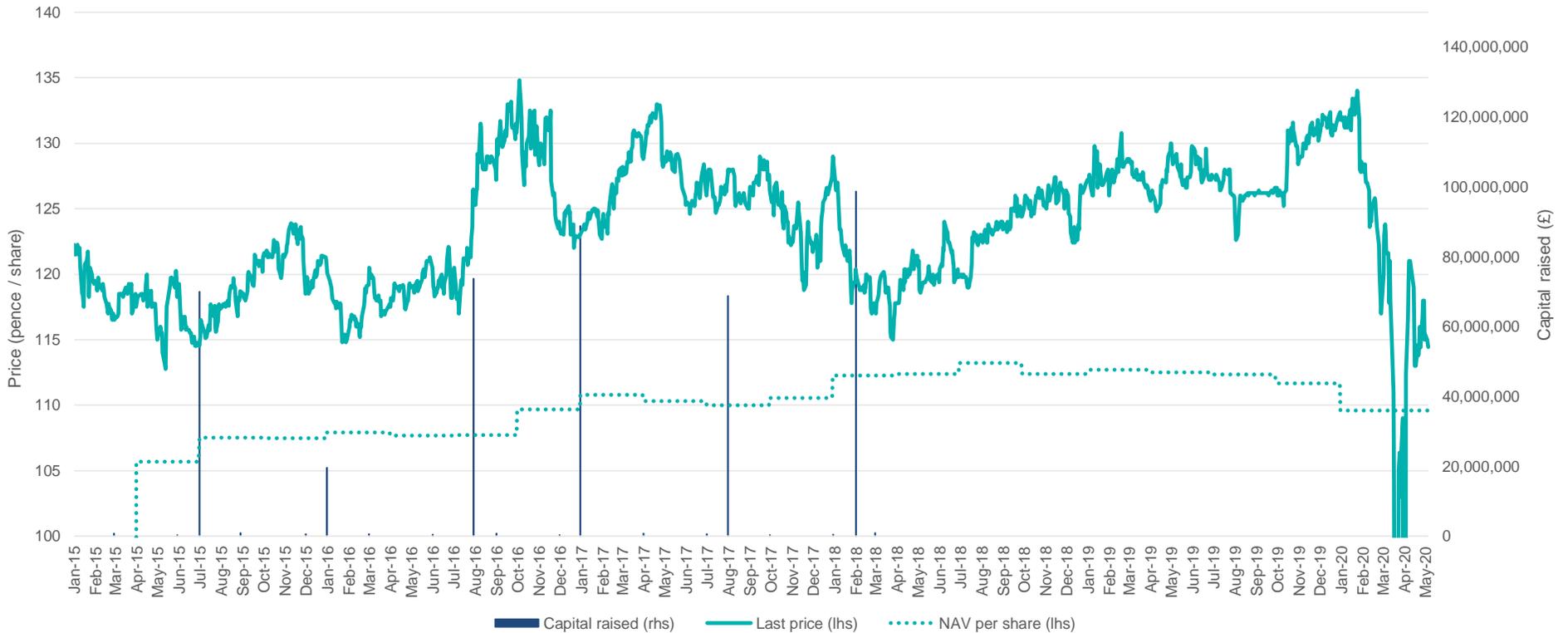
Total shareholder return since IPO (7.7% annual return)

£1.0bn

Market capitalisation at 31 March 2020

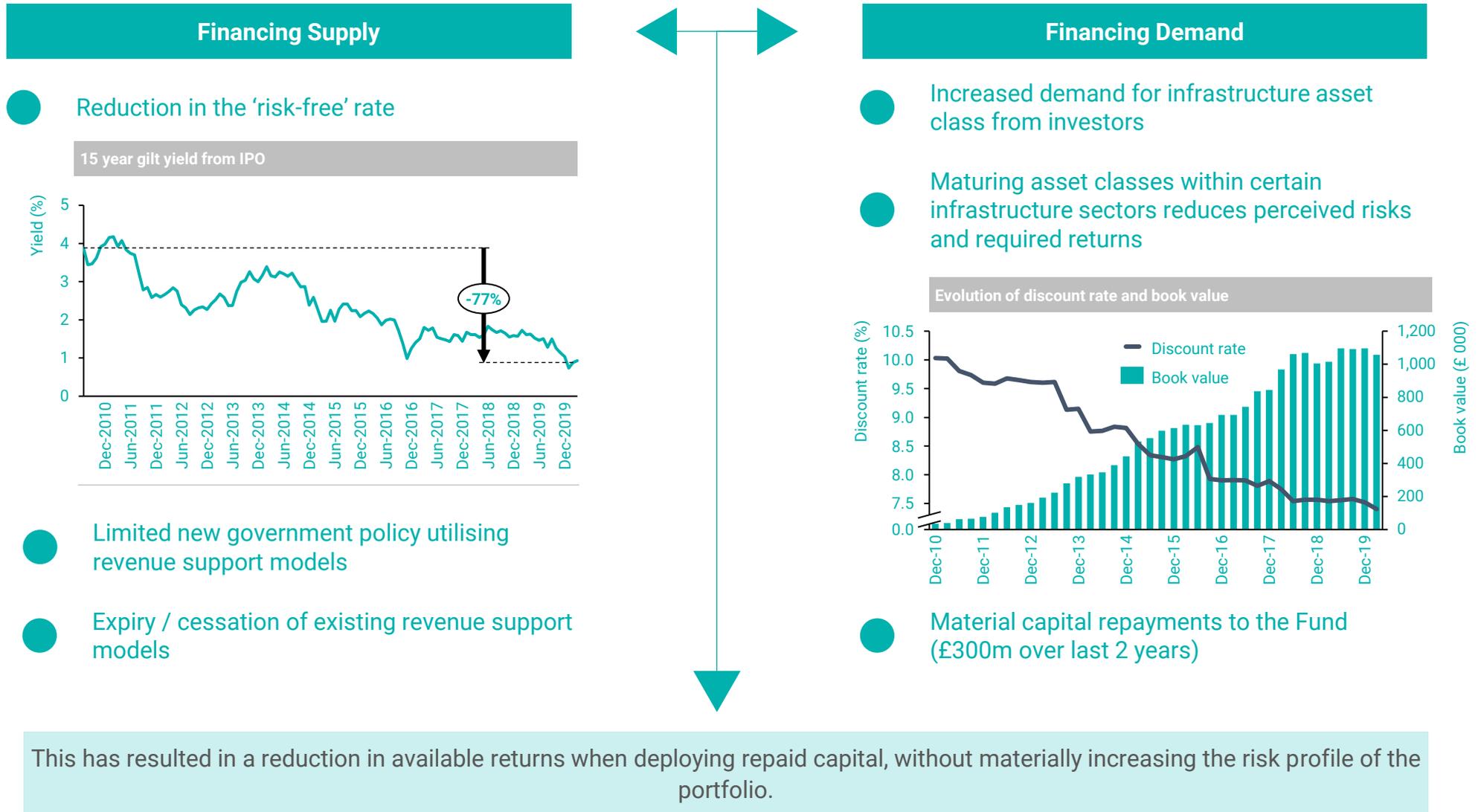
49

Investments as part of a diversified pool of assets



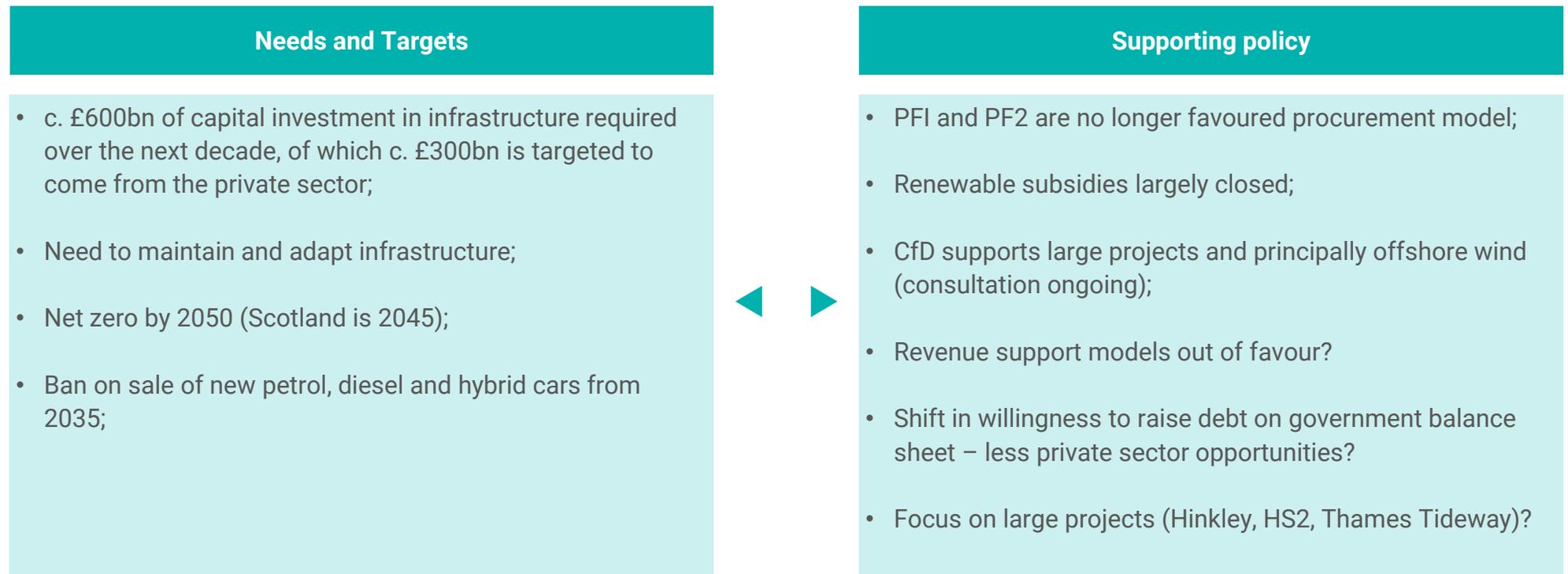
DIVIDEND TARGET

The Company has announced an annual dividend target of 7.0 pence per share for the financial year commencing on 1 October 2020, in response to long-term trends experienced over the 10 years since IPO.



UK INFRASTRUCTURE MARKET

Inconsistency between stated needs and supporting policy creates a gap which needs to be filled



Potential outcomes

- Infrastructure finance review: UK's National Infrastructure Strategy (response to consultation) expected to be late Spring (Covid delays?) - extension of RAB model to projects?
- Budget in March: confirmation of RHI and £100bn for infrastructure.
- Focus on secondary markets and increased competition in these markets.

COVID-19: IMMEDIATE IMPACTS

Company is well placed to weather the uncertainty driven by Covid-19 over the long term

Impacts	Mitigants	Effects to date
<ul style="list-style-type: none">• Lower availability of people through lockdown due to social distancing / isolation	<ul style="list-style-type: none">• Each investment in the portfolio benefits from availability-based cash flows (e.g. unitary charge, renewable subsidy) which we do not expect to be materially impacted by the impacts of Covid-19.• Government has confirmed PFI projects will not be able to rely on force majeure ("FM") provisions.• Desire and willingness on all sides to get through the crisis whilst minimising the impact to all parties.• Diversification across multiple assets and existing critical spares inventory.	<p>Given the scale of the Covid-19 response, some investments have been impacted. This has been focused on:</p> <ul style="list-style-type: none">• Reduction in output from biomass projects relying on waste wood as a feedstock (9.8% of the portfolio), due to constraints in the supply chains for waste wood. One project has ceased operations and performance has been impacted at the other two.• Delays in construction expected at 3 PPP assets (0.5% of portfolio) due to a change in working practices that ensure compliance with guidelines.• A number of suppliers have provided pre-notifications of FM. <p>Overall impacts will be dependent on the duration for which lockdown measures are in place. So far, we do not expect these effects to be material to the Company.</p>
<ul style="list-style-type: none">• Lower availability of spare parts due to constraints in logistics chains		
<ul style="list-style-type: none">• Reduction in demand for electricity associated with shutdown of commerce and industry, combined with weather, driving price falls and potential requirement for curtailment.		

COVID-19: UK MACRO IMPACTS

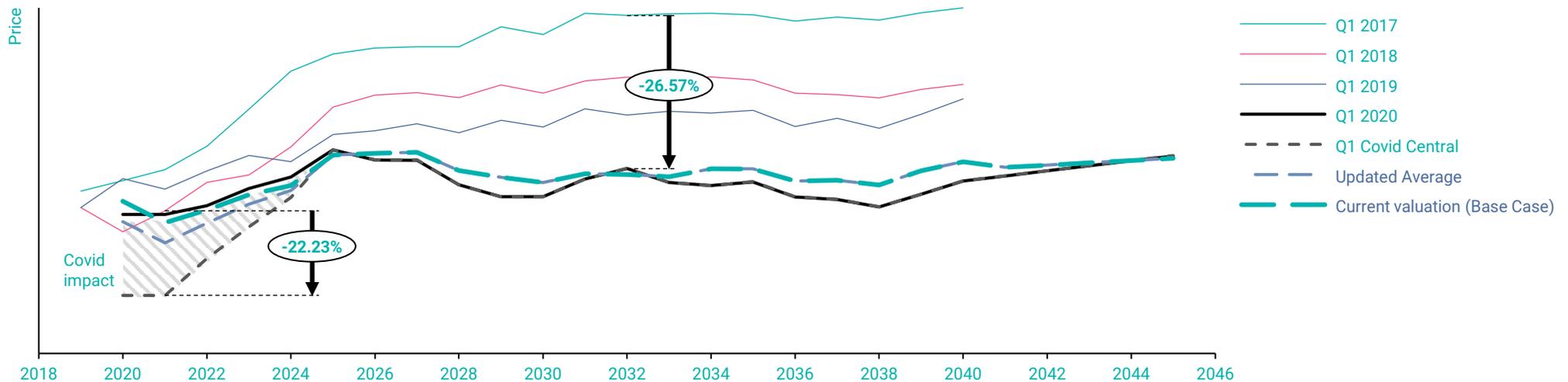
Renewed focus on supply of healthcare and other critical infrastructure with funding models likely to change significantly from pre crisis.

	Potential + ve factors	Potential - ve factors
Supply of projects	<ul style="list-style-type: none">• Increased focus on ability of healthcare to respond / adequacy of facilities. Structure of primary healthcare / social care.• Focus on other critical infrastructure such as broadband – enabling more remote working.• Benefits of better air quality etc. have been seen in a number of places – particularly in China and India, which may promote adoption of renewables in time.	<ul style="list-style-type: none">• Green agenda has been put on the back burner – e.g. cancellation of COP in Glasgow this year. But legally binding targets remain.• Further delays to the publication of the UK’s National Infrastructure Strategy.• Suspension of franchises in rail for a period of time.
Demand (funding) sources	<ul style="list-style-type: none">• Reduced availability of government capital may mean more opportunities for the private sector to finance infrastructure – need for investment has not gone away.• Monetary tools are less available (i.e. limited ability to reduce rates more) and therefore fiscal stimulus is more likely.• Response to date has not focused on monetising the crisis through triggering Force Majeure or other deduction mechanisms.	<ul style="list-style-type: none">• Significantly changed government balance sheet coming out of the crisis is likely to change government’s willingness to fund infrastructure through new debt or otherwise offer support.• Widening of credit spreads increasing cost of borrowing.• Wait to see bank’s responses – infrastructure is not a core sector and therefore may suffer from any retreat by banks to their core sectors.

ELECTRICITY PRICES

Electricity price forecasts have fallen significantly in the period, following a trend of reductions over the historic medium-term

GB Electricity Price Forecasts (Source: Afry, Gravis analysis)



- Principal drivers of price reductions have been reductions in long-term wholesale gas price forecasts;
- Covid impact reflects reduction in electricity demand assumed to result from Covid lockdown and associated medium-term impact, and also reduced wholesale fuel prices (as a result of the reduced demand for these). Valuation impact subsequently assessed (updated average curve post March-20 valuation) at c. (£5m)
- Increased assumed renewable deployment has also contributed to price forecast reductions, as has a general reduction in demand over the last 5 years or so, driven by increases in energy efficiency.

Updated sensitivity analysis shows that under further adverse price moves, a number of loans start being impaired, particularly in the Company's biomass investments.

GCP INFRA

AGENDA

Strategic Update

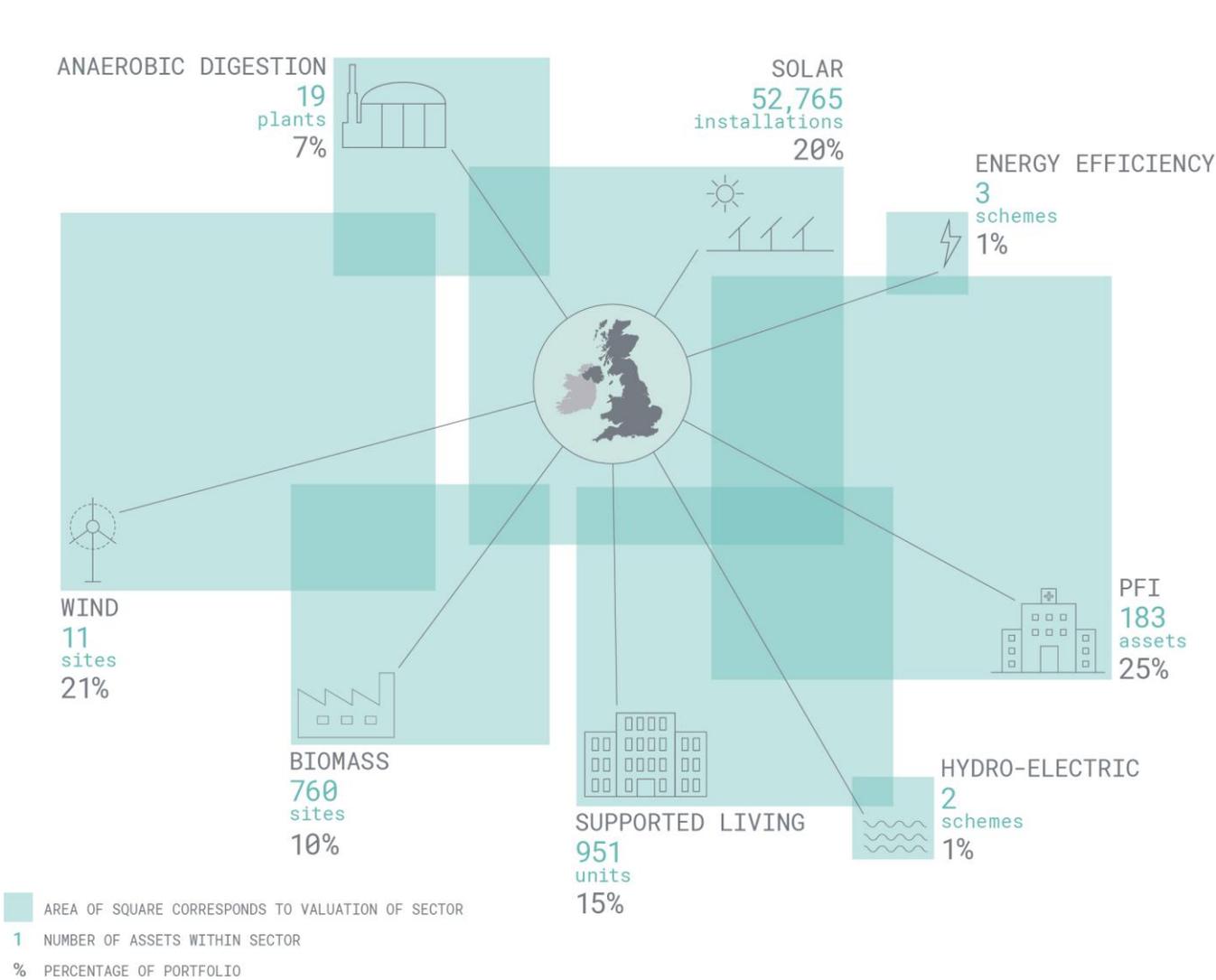
Portfolio Update

Finance Update

Q&A

PORTFOLIO UPDATE

Investment Portfolio at a glance



49

Infrastructure loans in the portfolio

14 years

Weighted average life of loans in the portfolio

8.1%

Average annualised yield

5%

Construction exposure (as % of total assets)

60%

Renewable energy project exposure (as % of total asset valuation)

39%

Loans with some partial inflation protection (as % of total asset valuation)

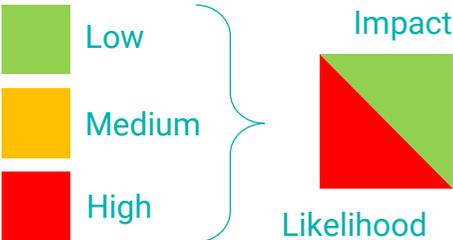
PORTFOLIO UPDATE

Portfolio enhancements / challenges

Enhancements	Technology optimisation	<ul style="list-style-type: none">• Software and hardware upgrades have occurred on a number of wind farms to which the Company is exposed, and is being investigated in respect of others;• Lease extension options being negotiated;
	Refinancing	<ul style="list-style-type: none">• Senior refinance of debt in the Race Bank wind farm completed at the end of 2018, generating an increase in the holding value of the Company's shareholder interest;• Completion of onshore wind refinance in the period;
	Service providers	<ul style="list-style-type: none">• Ongoing review of service providers to ensure any renewal of contracts occurs on optimal terms and that the contracts are managed effectively (e.g. PPA price fixing);
	Hedging	<ul style="list-style-type: none">• Investigating the potential to lock-in CPI / RPI exposures;
Challenges	AD portfolio	<ul style="list-style-type: none">• NI portfolio generally operating well with good (> 90%) availability. Disposal of one asset in period• Disputes continue with landowners in respect of 2 sites;• Investigating disposal / refinancing options for other assets;
	Contractual disputes	<ul style="list-style-type: none">• Ongoing disputes relating to a PFI project and council-backed asset finance arrangement;• Provisions have been made against both, with potential for upside in the event of positive outcomes;
	Supported Living	<ul style="list-style-type: none">• RSH reviews of Registered Providers has been negative and Gravis is working with the relevant entities to seek to address the RSH concerns;
	Ofgem	<ul style="list-style-type: none">• Audits of a portfolio of commercial solar assets ongoing;• Significant delays to payments under renewable heat incentive;
	Biomass	<ul style="list-style-type: none">• Restructure of loans on two biomass projects expected shortly;• Performance challenges at one other asset;• Waste wood supply chain has been impacted by Covid-19;

PORTFOLIO UPDATE

Portfolio Risk Summary



		Renewables						SH	PFI / PPP			
		Wind (onshore)	Wind (offshore)	Solar	Biomass	AD	Hydro	Supported Living	Healthcare	Leisure	Education	Waste
Asset Characteristics	Market risks	High Impact / High Likelihood	High Impact / High Likelihood	Medium Impact / High Likelihood	High Impact / High Likelihood	Medium Impact / High Likelihood						
	Credit risks	Medium Impact / High Likelihood	Medium Impact / High Likelihood	Low Impact / High Likelihood	High Impact / High Likelihood	High Impact / High Likelihood	Low Impact / High Likelihood	High Impact / High Likelihood	Medium Impact / High Likelihood	Medium Impact / High Likelihood	Medium Impact / High Likelihood	Medium Impact / High Likelihood
	Operational risks	Low Impact / High Likelihood	Medium Impact / High Likelihood	Low Impact / High Likelihood	High Impact / High Likelihood	High Impact / High Likelihood	Medium Impact / High Likelihood	Low Impact / High Likelihood	High Impact / High Likelihood	High Impact / High Likelihood	High Impact / High Likelihood	High Impact / High Likelihood
	Legal / regulatory	Medium Impact / High Likelihood	Medium Impact / High Likelihood	Medium Impact / High Likelihood	High Impact / High Likelihood	High Impact / High Likelihood	Medium Impact / High Likelihood	Medium Impact / High Likelihood	High Impact / High Likelihood	High Impact / High Likelihood	High Impact / High Likelihood	High Impact / High Likelihood
Overall score		Low Impact / High Likelihood	Medium Impact / High Likelihood	Medium Impact / High Likelihood	High Impact / High Likelihood	High Impact / High Likelihood	Medium Impact / High Likelihood	Medium Impact / High Likelihood	Medium Impact / High Likelihood	Medium Impact / High Likelihood	Medium Impact / High Likelihood	Medium Impact / High Likelihood
Sector exposure (by value at 31 March)		14%	7%	21%	10%	7%	1%	15%	25%			
Periodic change (12 months)		▲				▲		▲				

Potential Covid-19 impacts

GCP INFRA

AGENDA

Strategic Update

Portfolio Update

Finance Update

Q&A

FINANCIAL UPDATE

Highlights for Interim Period ending 31 March 2020

(Comparison to prior period)

Total Income

£25.4m ▼ £41.2m (2019)

Profit and comprehensive income

£17.2m ▼ £33.5m (2019)

Earnings per share

1.96p ▼ 3.83p (2019)

3.8p Adjusted earnings per share

Shareholder total return (12 months)

(8.1%)% 105.8% since IPO

Capital invested in period

£98.2m

of which c. £23m was new capital

Net asset value



Borrowings



FINANCIAL UPDATE

Results Summary

Balance Sheet: as at 31 March 2020 (£ 000)

[£ 000] unless stated		31 March 2020	30 September 2019
Assets			
Cash and cash equivalents		30,469	2,477
Other receivables and prepayments		186	135
Financial assets at fair value through profit and loss		1,089,000	1,144,650
Total assets		1,119,655	1,147,262
Liabilities			
Other payables and accrued income		(2,575)	(3,078)
Interest bearing loans and borrowings		(152,395)	(164,088)
Total liabilities		(154,970)	(167,166)
Net assets		964,685	980,096
Equity			
Share capital		8,784	8,777
Share premium		944,522	943,789
Capital redemption reserve		101	101
Retained earnings		11,278	27,429
Total equity		964,685	980,096

NAV per ordinary share = 109.83 (31 March 2019: 112.54)

Comprehensive Income: 12 months to 31 March 2020

[£ 000] unless stated		31 March 2020	31 March 2019
Income			
Net income / gains on financial assets at fair value through profit and loss		25,387	31,365
Other income		8	9,859
Total income		25,395	41,224
Expenses			
Investment advisory fees		(4,306)	(4,389)
Operating expenses		(1,366)	(1,248)
Total expenses		(5,672)	(5,637)
Total operating profit before finance costs		19,723	35,587
Finance costs			
Finance expenses		(2,513)	(2,035)
Total profit and comprehensive income for the period		17,210	33,552
Basic and diluted earnings per share (pence)	[pence]	1.96	3.83

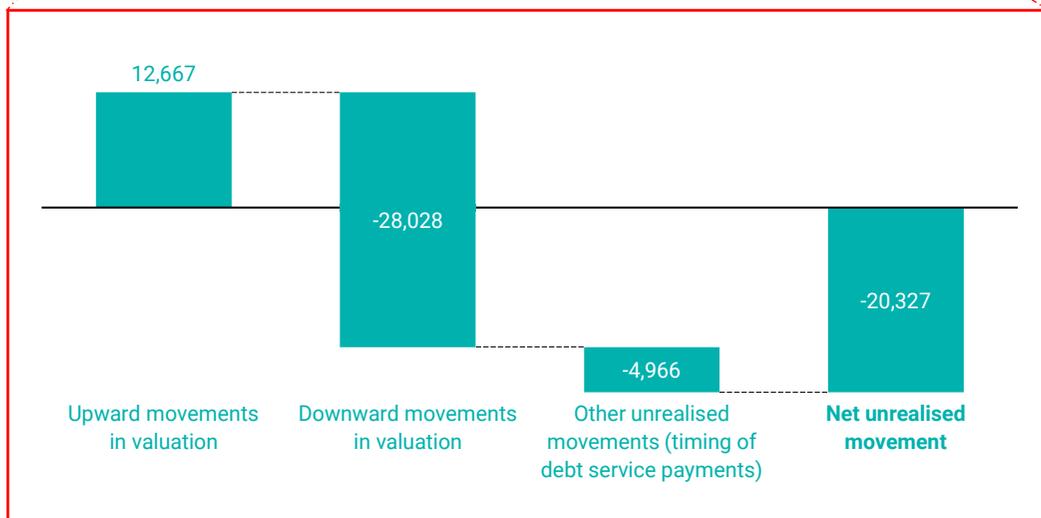
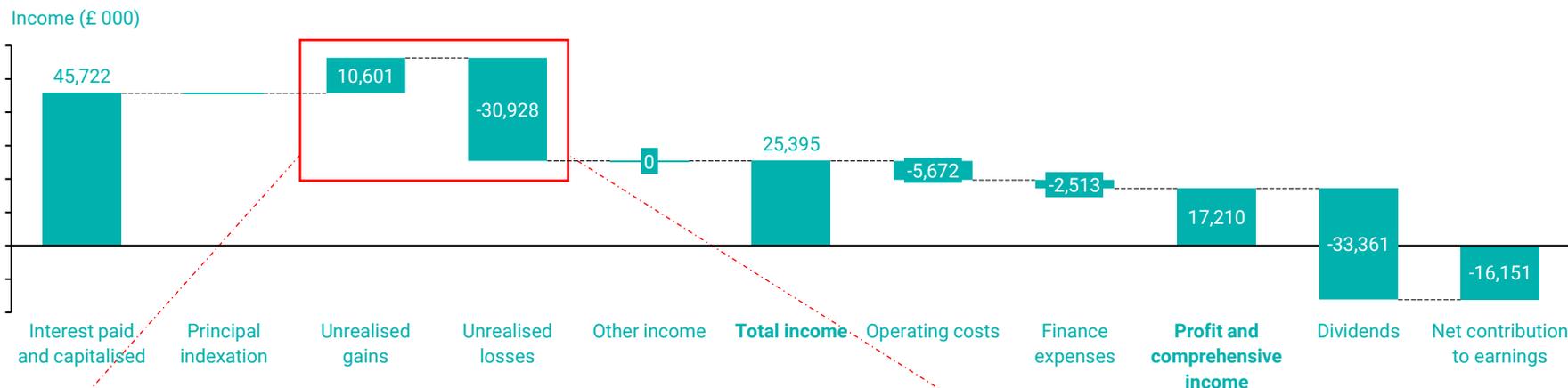
Ongoing charges ratio = 1.1% **

Dividends for the period = 3.8 pence per share

** Calculated in accordance with the AIC methodology, at 30 September 2019

FINANCIAL UPDATE

Income Breakdown – Interim period ending 31 March 2020



Upward movements in valuation from:

- Actual performance (£4.4m)
- Project assumptions (£4.3m)
- Discount rate changes (£2.5m)

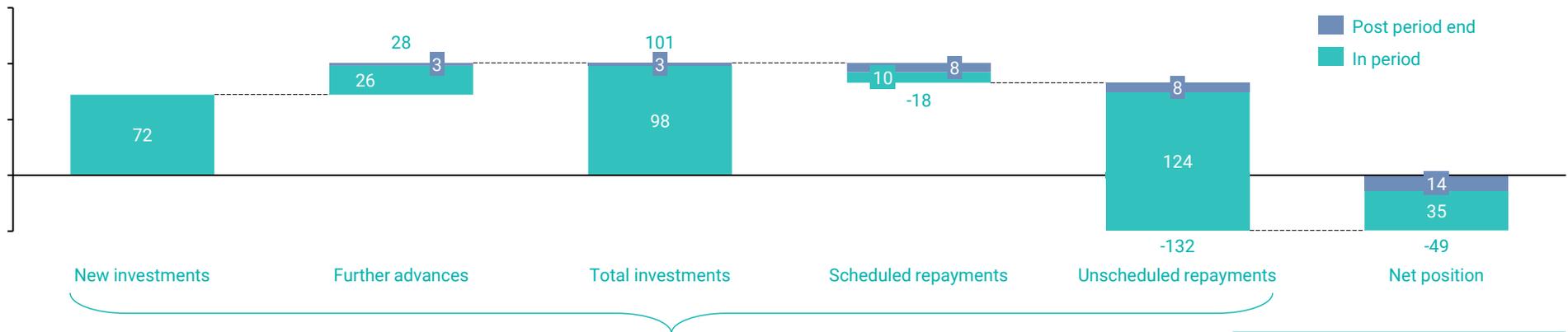
Downward movements in valuation from:

- Updated electricity price forecasts (£16.1m)
- Corporation tax assumptions (£4.5m)
- Other downward revisions to performance, assumptions, restructuring and litigation costs.

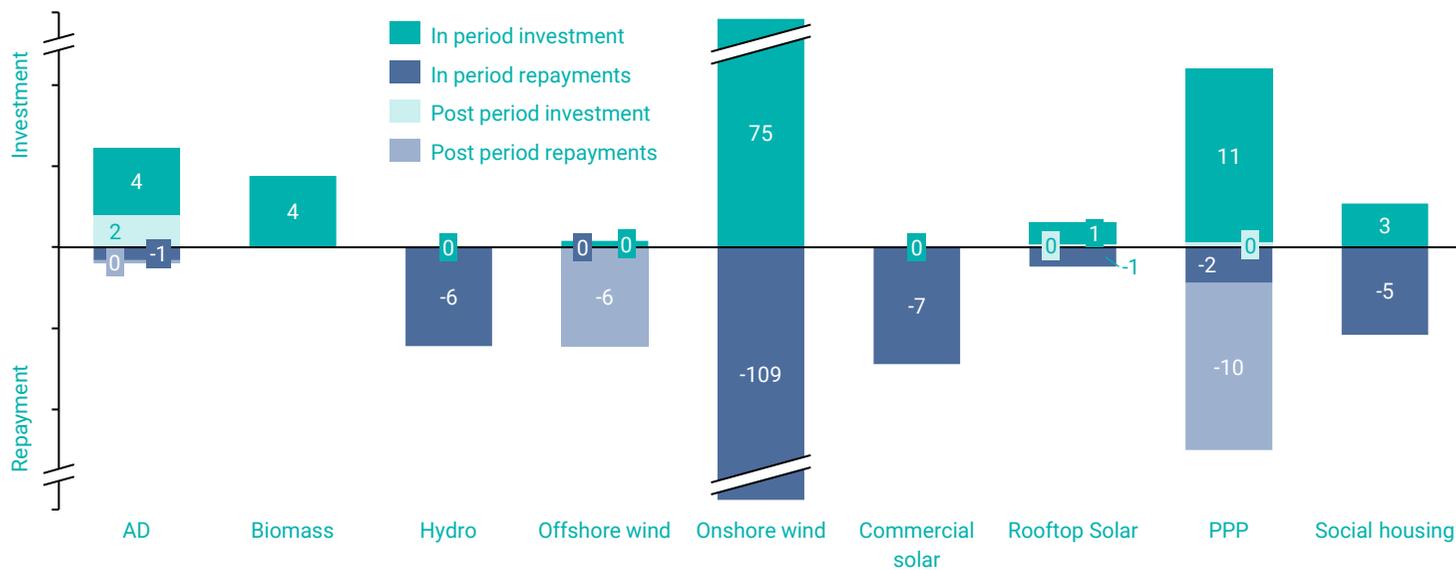
FINANCIAL UPDATE

Investment breakdown – Interim period ending 31 March 2020

Cash flow (£m)



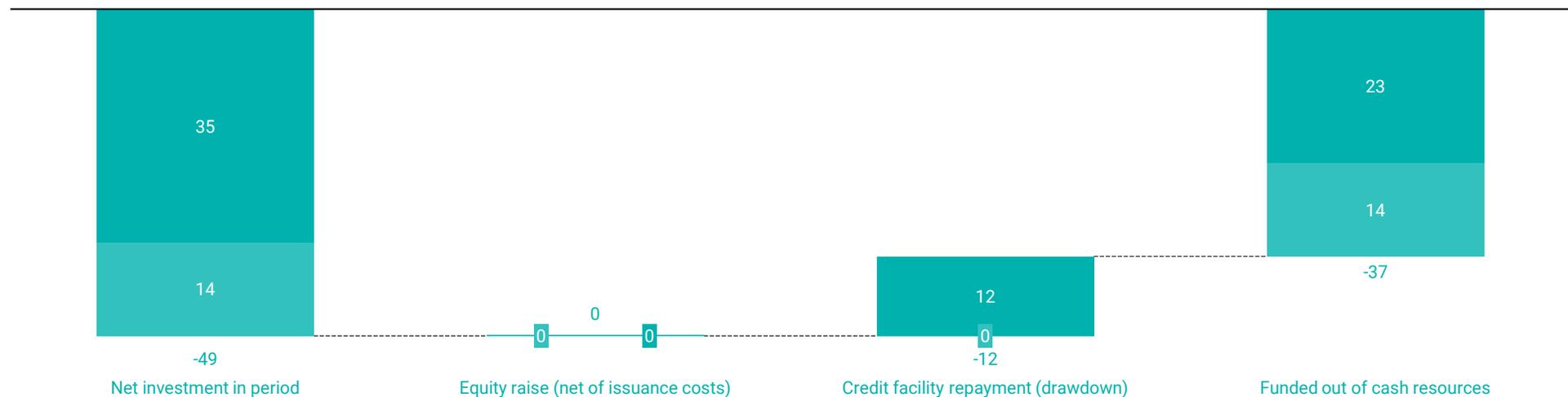
Cash flow (£m)



- Main transaction in period was the refinance of a portfolio of 4 onshore wind farms, releasing £25m to the Company;
- Disposal of renewables portfolio acquired through GIB deal;
- Other unscheduled prepayments from PFU portfolio;

FINANCIAL UPDATE

Financing breakdown – Interim period ending 31 March 2020



Credit Facility Summary

- Net repayments used to pay down RCF and increase cash balance

	Size	Margin	Expiry	Balance
Period End				
Fixed tranche	£50m	190 bps	March 2021	£50m
Revolving tranche	£100m	190 bps	March 2021	£103m
				£153m

GCP INFRA

AGENDA

Strategic Update

Portfolio Update

Finance Update

Q&A

CONTACT INFORMATION

Philip Kent

philip.kent@graviscapital.com

020 3405 8512

Rollo Wright

rollo.wright@graviscapital.com

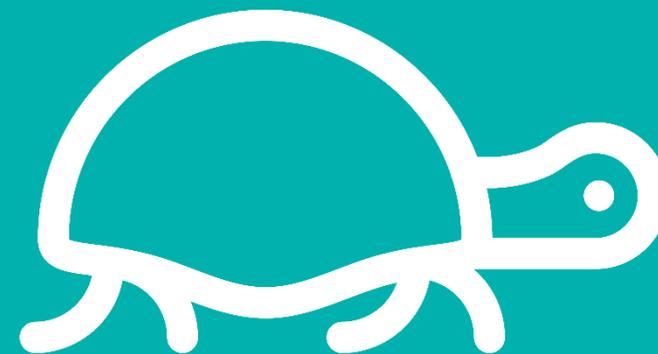
020 3405 8503

Gravis Capital Management Limited

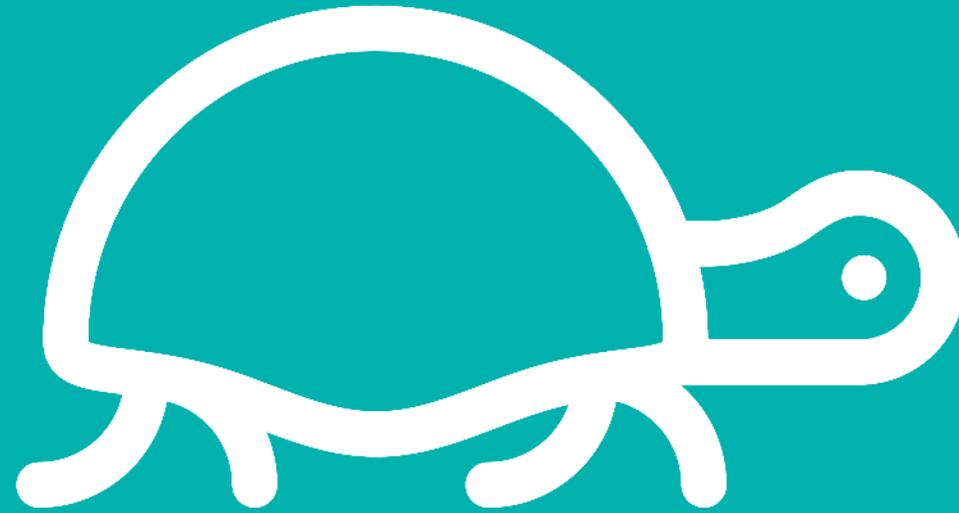
24 Savile Row

London W1S 2ES

www.graviscapital.com



Gravis



Gravis

INVESTMENT IDEAS FOR THE LONG RUN